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Turkey Meat in Canada – Market Brief

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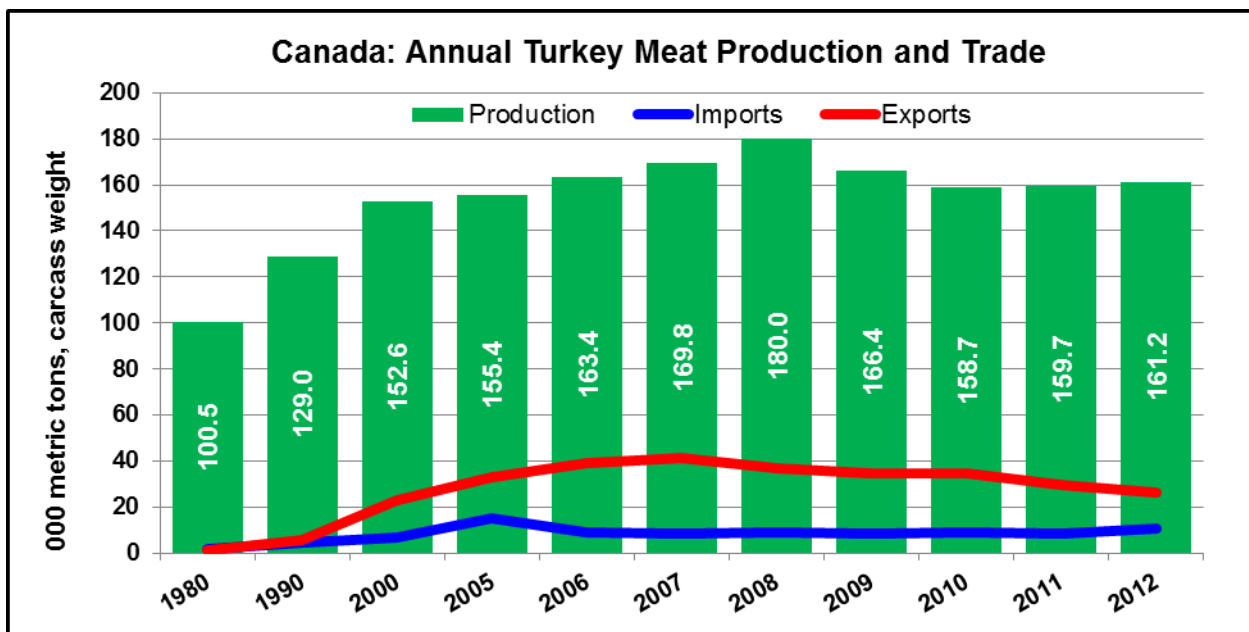
Mihai Lupescu

Report Highlights:

On a per capita basis, Canada is among the top five largest consuming nations of turkey meat in the world. Roughly half of turkeys consumed are sold at the retail market. Retail sales of turkey totaled over 71,000 metric tons (MT) in 2012, with about 75 percent purchased as whole birds, and the majority of those purchases (80 percent) in the Thanksgiving and Christmas periods. While Canada limits imports of turkey meat for consumption to 5,588 MT annually, it imports up to an additional 1,500 MT per year for re-export. In 2013, Canada's exports of turkey meat totaled nearly 24,000 MT, or approximately 15 percent of domestic production. In addition to the limited turkey meat volumes under the TRQ, export opportunities into the Canadian market exist for the so called "specially defined mixtures", processed turkey meat products that can be imported from the United States duty-free and quota-free.

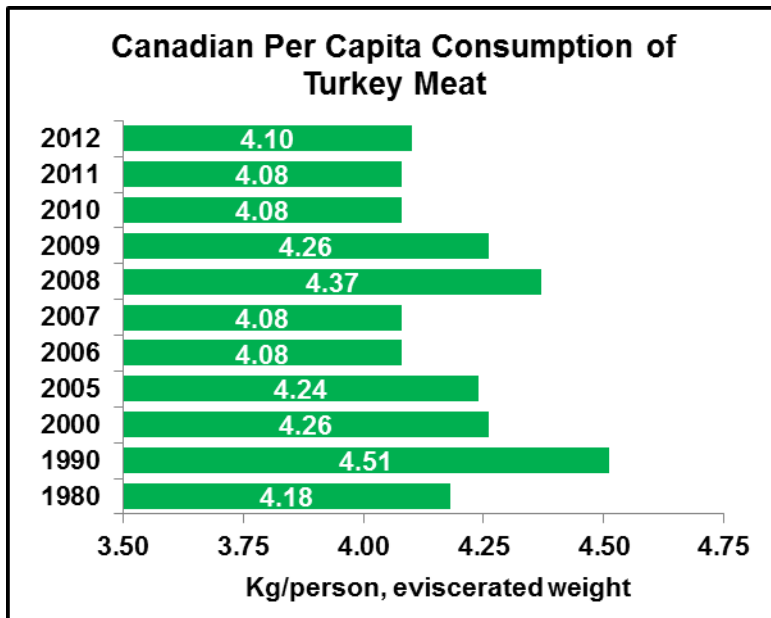
Market Overview

On a per capita basis, Canada is among the top five largest consumers of turkey meat in the world. At the same time, Canada operates a supply management system in the turkey sector. Unlike in the United States, the industry is not vertically integrated. Canada has a multitude of independent turkey farmers, often operating family businesses, supplying live birds to processing companies. Production is tightly controlled through a quota system. Decisions on the production volume are taken annually, with the national volume being allocated to each of the eight producing provinces, and subsequently further allocated, at provincial level, to individual producers.



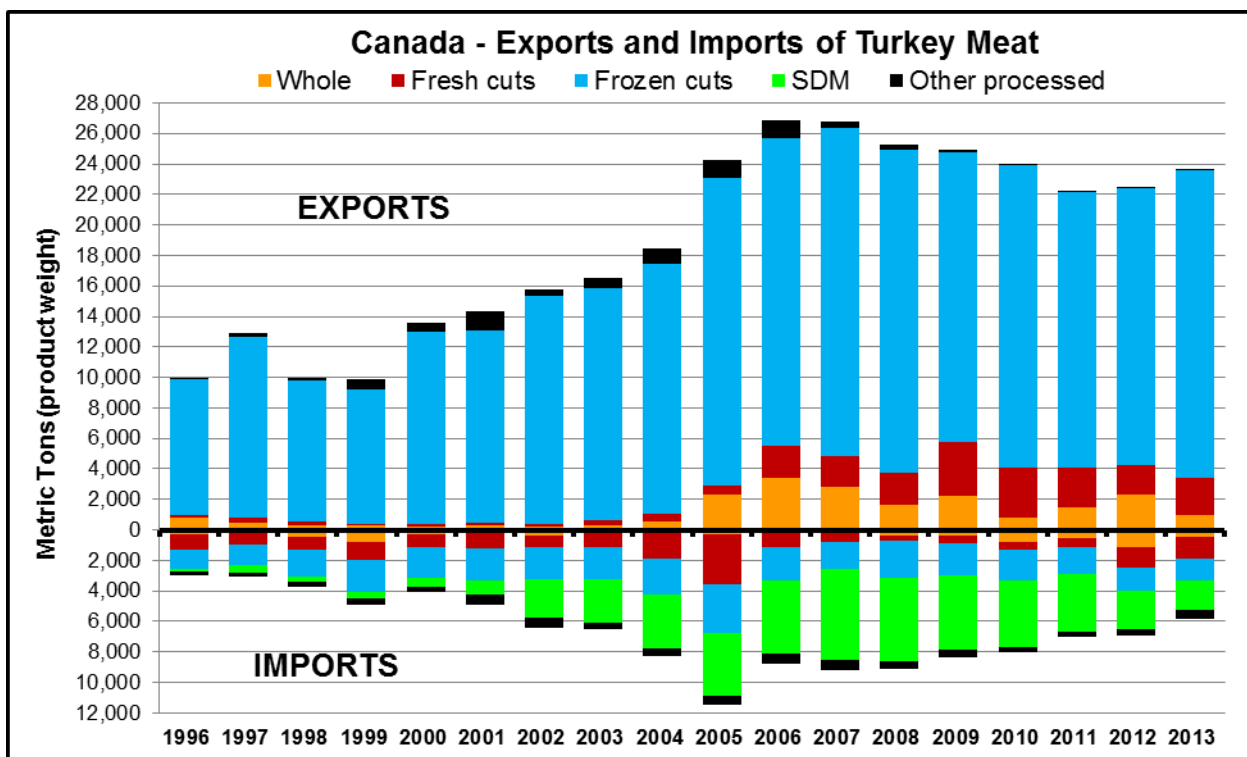
Source: Statistics Canada

Domestic production increased from about 100,000 metric tons (MT) in 1980 to over 160,000 MT three decades later. Despite this 60 percent increase in turkey meat production and the high per capita consumption, the turkey meat sector has not grown as fast as the chicken meat sector. Canadians have maintained a remarkably stable turkey meat consumption of roughly 4 kg/person for the past 35 years. This basically means that the sector grew at a similar rate with the growth in the general population. By contrast, the chicken sector in Canada significantly outgrew the increase in population. From 1980 to present days, chicken production in Canada increased by approximately 175 percent, or nearly three times more than the turkey sector.



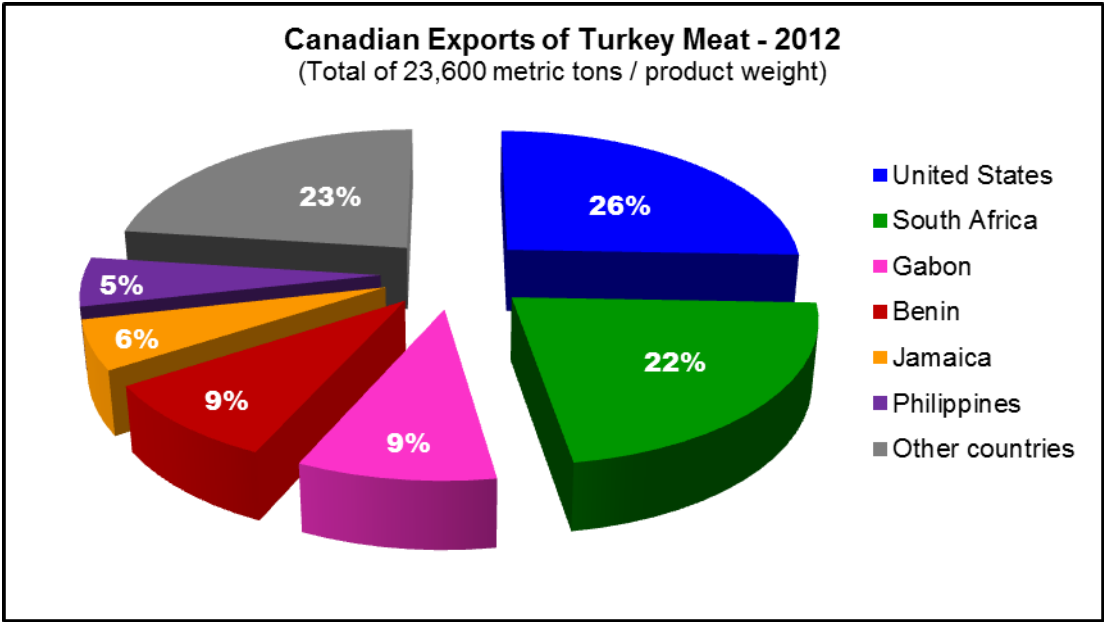
Source: Statistics Canada

To compensate for the moderate growth in the domestic market, over the past 15 to 20 years the turkey meat sector has relied on exports. At its peak in 2006, Canada exported nearly 27,000 MT of turkey meat, or about 18 percent of its domestic consumption at the time. In general, Canadian consumers prefer the white meat (turkey breasts) and, therefore, processors tend to export the dark meat (legs) in order to balance the market. Most exports are frozen parts, with some small volumes of fresh parts and whole birds.



Source: Global Trade Atlas / SDM = Specially Defined Mixtures

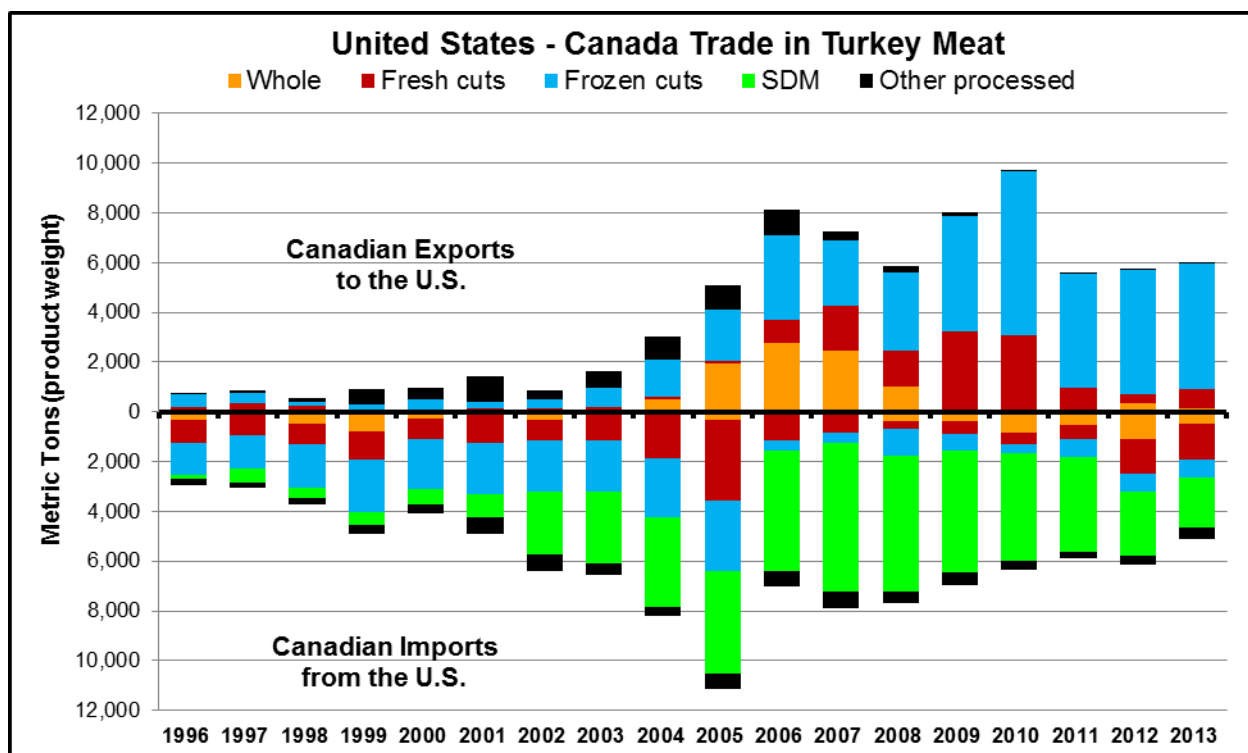
In terms of export markets, nearly half of the turkey meat exported goes to the United States and South Africa. Other important markets are Gabon, Benin, Jamaica and the Philippines, which together accounted for almost 30 percent of the turkey meat exported in 2012.



Source: Global Trade Atlas

Imports of turkey meat into Canada are limited by a tariff rate quota (TRQ) with an annual volume of 5,588 MT. Within the TRQ, imports originating in the United States may enter Canada duty-free. While most imports of turkey meat are import controlled, there is one category of processed products which is not: “specially defined mixtures” or SDM (more details provided later in this report). As the green bars in the chart above suggest, imports of SDM took off in early 2000s and peaked in 2007 when Canada imported nearly 7,000 MT of such products, all originating in the United States.

The chart below depicts the bilateral United States – Canada trade in turkey meat. On the import side, over the past decade, the largest share consisted of “specially defined mixtures” (detailed further in this report), which are value-added processed products that are not import controlled and can enter Canada duty free and quota free. Exports from Canada have picked up quite significantly over the past ten years. Currently, the largest share is represented by various frozen cuts, especially bone-in parts like wings or drumsticks. The trade figures in the chart below also include volumes of turkey meat imported under the duty-exempt “imports to re-export program”. Volumes vary from year to year but in general they have remained within the range of 800 MT to 1,600 MT annually. The “import” side of the program is sourced almost exclusively in the United States, while “re-exports” return mostly back to the United States, with some volumes also reaching other export destinations.



Source: Global Trade Atlas / SDM = Specially Defined Mixtures

The table below summarizes some of the advantages and challenges of the Canadian turkey market to U.S. exporters of turkey meat products:

Advantages	Challenges
Canadian consumption patterns are similar to the U.S. patterns	Imports for consumption in Canada are restricted to 5,588 MT annually (the volume of the turkey TRQ)
Turkey is a favorite fall and winter holiday food	The import market is demand driven by the quota holders of import permits for turkey meat
The Canadian turkey meat TRQ (5,588 MT) is filled up every year to 100 percent.	Canadian processing companies have access to U.S. turkey meat (via the TRQ) which they use for further processing, therefore reducing the need for importing value-added turkey products
Canada's processing industry imports some U.S. turkey meat for re-export, and occasionally, supplementary imports are allowed above the TRQ level.	
Specially Defined Mixtures (explained further in this report) can be imported into Canada duty-free and quota-free from the United States	

Market Sector Opportunities and Threats

Typically, the biggest challenge faced by U.S. exporters is that fact that most turkey meat products in Canada are import controlled. The restrictive turkey TRQ allows up to 5,588 MT to enter the market duty free every year. Imports for domestic use exceeding that amount, however, face a restrictive tariff that can reach 170 percent.

Products covered by the turkey TRQ include:

- Whole birds, HS codes: 02072411, 02072491, 02072511, 02072591
- Fresh cuts, HS codes: 02072610
- Frozen cuts, HS codes: 02072711, 02072791
- Fat, HS code: 02090023
- Salted/smoked/in brine, HS code: 02109914
- Processed, HS codes: 16010031, 16022031, 16023112, 16023193

Turkey products that are not import controlled in Canada fall under the category of “specially defined mixtures” (detailed later in this section).

Entry Strategy

Typically, a U.S. company wanting to export turkey products to Canada would have to find and partner with a Canadian company that holds import permits for turkey products. The Department of Foreign Affairs, Trade and Development (DFATD) maintains a database with all turkey quota holders, which can be found [here](#). Only Canadian companies can be import quota holders.

In special cases, DFATD may authorize imports of turkey products above the TRQ limit (of 5,588 MT). These are called “supplementary imports” and can be issued in the following circumstances:

- Domestic Market Shortages
- Imports under the Import-to-Compete program
- Imports under the Import for Re-Export Program (IREP)
- Purpose of Test Marketing
- Extraordinary or Unusual Circumstances

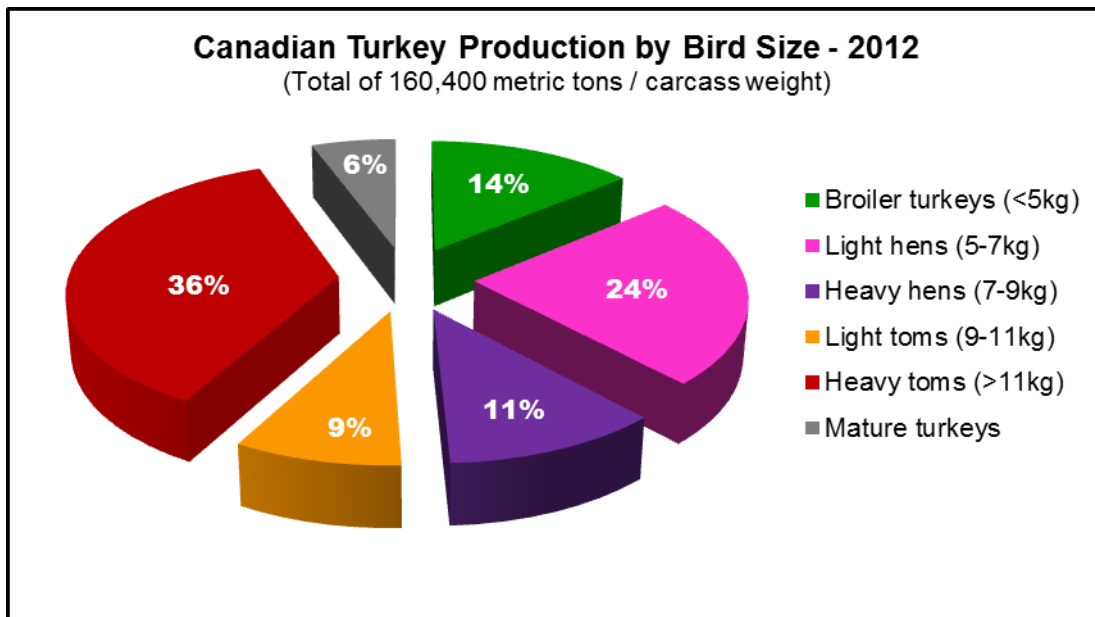
The policy that governs the issuance of such types of import permits can be found [here](#).

Market Size, Structure, Trends

Agriculture and Agri-Food Canada monitors the domestic turkey meat production by bird size, as depicted in a chart below. The size of the bird usually dictates the market segment it serves.

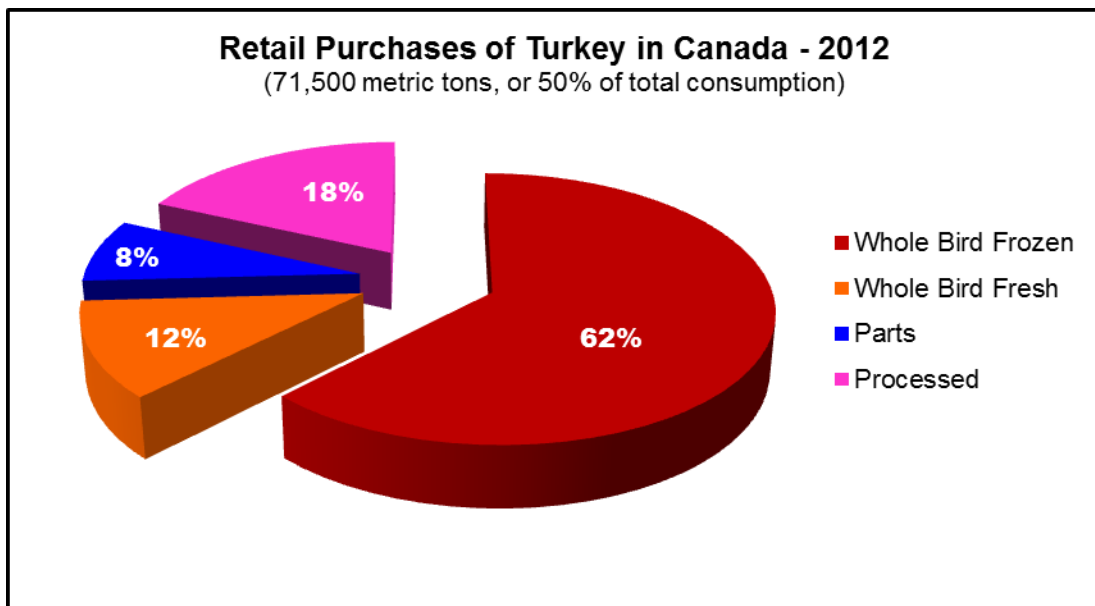
Over 40 percent of the domestic turkey production, which amounted to 160,000 MT in 2012, is comprised of heavy birds (weighting more than 11 kg) and mature turkeys. These birds typically supply the further processing industry. Turkey breasts coming from these large birds are used in the manufacturing of deli products (like turkey ham) or turkey breast roasts.

The dark meat and the meat from mature turkeys are used to produce a large variety of further processed products such as: turkey kielbasa, turkey pepperoni, turkey pepperettes, turkey bacon, turkey burgers, turkey franks, hot dogs and wieners, etc.



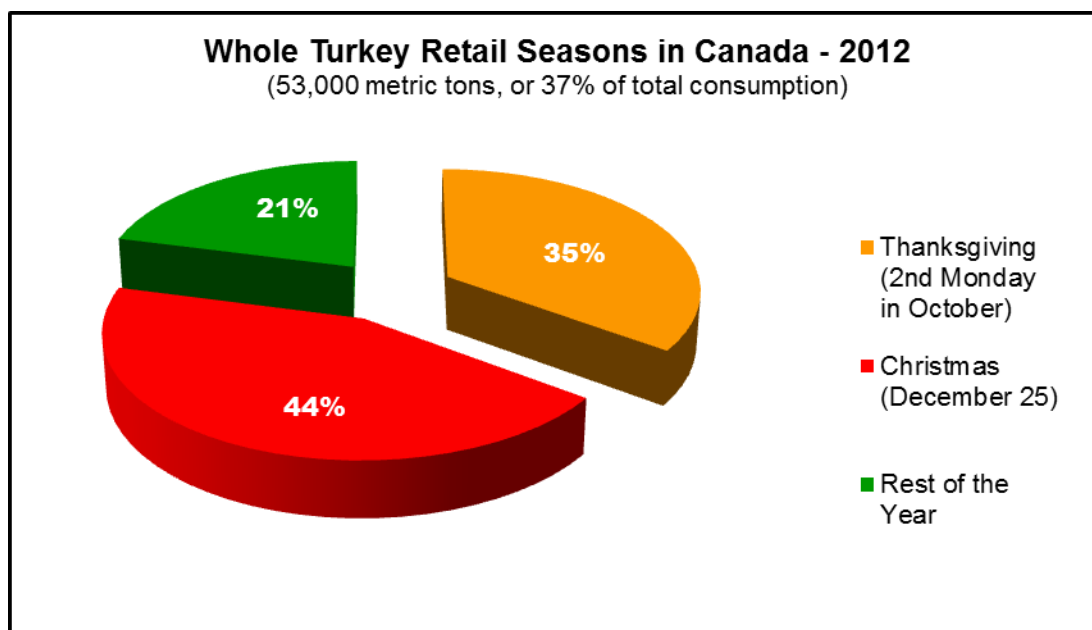
Source: Agriculture and Agri-Food Canada

The remaining of nearly 60 percent of the domestic turkey production is comprised of lighter birds (under 11 kg). These are typically sold as whole turkeys, or are boned and sold as parts, for instance as various retail tray-pack formats of breasts, wings, drumsticks, etc.



Source: Turkey Farmers of Canada

Most turkeys that are not used in further processing are sold as whole birds either in grocery stores or to various institutional clients and to the restaurant industry. For instance, of all the turkey meat sold in grocery stores, nearly 75 percent represents whole birds. The whole turkey market in Canada is very seasonal and similar to the U.S. whole turkey market: almost 80 percent of all whole turkeys sold in grocery stores are purchased during the fall and winter holiday seasons (Thanksgiving and Christmas).



Source: Turkey Farmers of Canada

Export Opportunities for Turkey Meat Products

As indicated earlier, most turkey and turkey meat products are import controlled in Canada. However, there is one category of processed turkey meat products that is not subject to import restrictions: specially defined mixtures or SDM. These products, if exported from the United States, can enter the Canadian market duty-free and quota-free.

Specially defined mixtures are defined in the [Supplementary Note No.1](#) to HS Chapter 16 in Canada's Customs Tariff. The definition (also applicable to chicken made products) states:

"Specially defined mixtures" of tariff items Nos. 1602.31.11, 1602.31.92, 1602.32.11 and 1602.32.92 means chicken or turkey or a product containing chicken or turkey, wherein 13% or more of the total weight of the product is comprised of goods other than the following: chicken, turkey, bread or breading, batter, oil, glazing, other coatings and bastes, and any added water (including that used in marination, glazing, other coatings, bastes, breading and batter). For the purposes of this definition, the weight of all ingredients shall be taken from the product specification sheets for that product required under the Meat Inspection Act for product labelling purposes.

Originally intended to include turkey based "TV dinners", SDMs now cover a wide variety of products, as processing technologies evolved over time and as consumer preferences changed.

All U.S. companies interested in developing recipes that meet the SDM definition and in exporting to Canada such products are strongly encouraged to apply with the Canada Border Services Agency (CBSA) for an [advanced ruling for customs classification](#). Such an advanced ruling should be obtained from CBSA prior to shipping the product to Canada, and preferably, prior even to manufacturing the

product on a large scale. This is necessary in order to avoid unpleasant surprises at the border, where misunderstandings can occur over the proper tariff classification of such types of turkey meat products.

Market Access

As indicated earlier, the biggest challenge facing U.S. exporters of turkey and turkey meat products is the TRQ: only 5,588 MT are allowed into Canada every year at very low tariff rates (or duty free in the case of the United States). Imports exceeding this TRQ volume can still enter Canada, but will be assessed very high, prohibitive customs duty rates which can reach 170 percent. Interested U.S. exporters have to find and partner with a Canadian company that holds import permits for turkey meat.

A limited number of processed turkey meat products – specially defined mixtures, as detailed above – can enter Canada duty-free and quota-free if originating in the United States.

Provided that access to the Canadian market is ensured, shipments of turkey and turkey meat products have to meet all Canadian standards in terms of food safety, labeling, packaging and so on.

For detailed information on all these import requirements please consult the most recent copy of the [FAIRS - Country Report](#), [FAIRS - Export Certificate](#) and [Exporter Guide](#) reports for Canada, available on the Foreign Agricultural Service's GAIN reports [website](#).

Key Contacts and Further Information

For further information please contact one of the Foreign Agricultural Service (FAS) Offices in Canada:

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